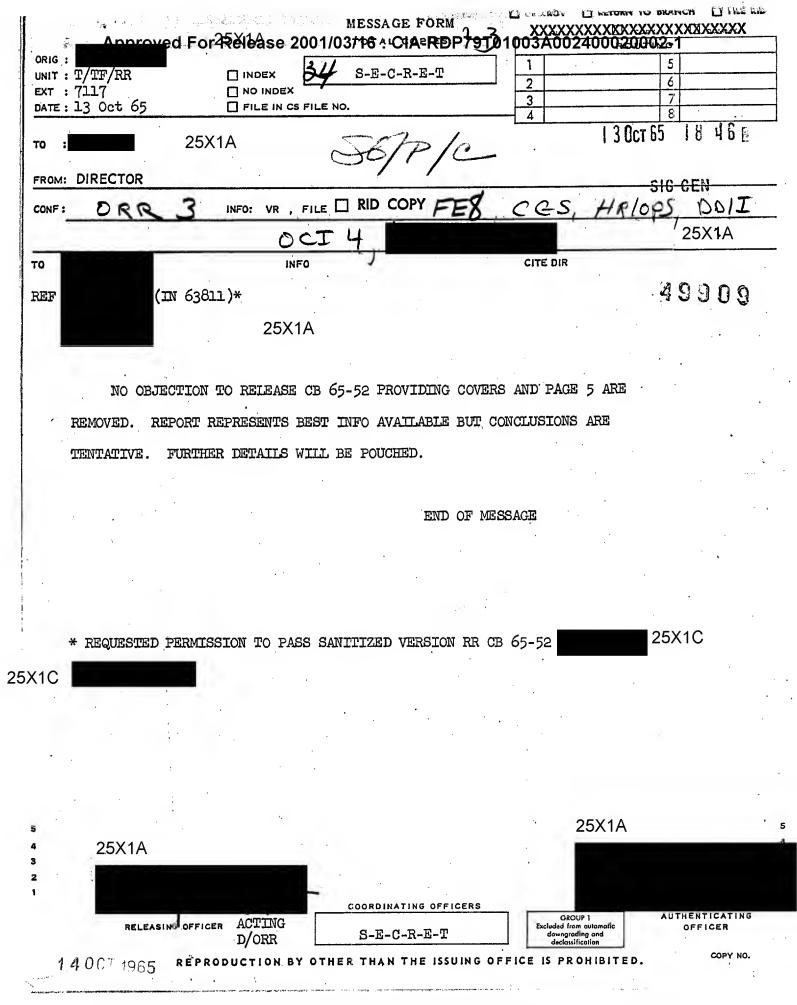
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25X1A	REQUEST		PASS SANITIZ		58/17/	C	
	OF RR CB 65-52 ON CHICOM FOREIGN EXCHANGE EARNINGS IN HONG						
	KONG IF PASSAGES MUST BE DELETED, 25X1C						
	COULD SEND US NEW VERSION. OTHERWISE, STATION 25X1A						
	WOULD PASS IN FORM OF BLIND MEMO WITH SOME EDITORIAL CHANGES.						
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MEMORANDUM NO/6/	25X1A
MEMORANDUM FOR:	ZOXII

SUBJECT:

RR CB 65-52

REFERENCE:

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information passed along to you. The cable response to the reference indicated that additional details would be pouched.

- l. Hong Kong is believed to provide half of Communist China's convertible currency earnings, a large part of which are from transit trade and non-trade earnings. A good part of these non-trade earnings from Hong Kong may have originated in other countries. We have estimated that total Communist Chinese non-trade earnings during 1958-64 amounted to \$600 million, including \$400 million in remittances from overseas Chinese, leaving \$200 million of other, non-trade foreign exchange receipts.
- 2. We have limited evidence suggesting that Communist China derived only a fraction of these receipts from its banking and commercial interests in Hong Kong, and that the remainder must have been transfers of trade and other earnings from third countries through Hong Kong to Communist China. On the other hand, it is popularly believed that earnings from investments in Hong Kong greatly exceed our estimates. Consequently, in estimating Communist China's total foreign currency earnings, it is most important at this point to ascertain some firm basis for setting a limit to the foreign exchange received from Red Chinese investments in Hong Kong. It is our hope that the can en-25X1C lighten us on this score. In addition to the extent of Communist China's investments and profits from Hong Kong, we should like to receive information from these sources on the volume of foreign exchange channeled from third countries through Hong Kong to Communist China and on the extent of other earnings in Hong Kong.

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